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Budget and Tax News from the Office of Governor Frank O'Bannon

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The News in brief...

O'Bannon, Kernan Make Push To Gather Support "To Put Progress Over Politics"

Governor Frank O'Bannon met today with education, business and community leaders in Fort Wayne to discuss the need to resolve the state's \$1 billion deficit and to restructure the state's tax code.

Lieutenant Governor Joe Kernan was in Lafayette last Friday and will visit leaders in Terre Haute and Kokomo later this week carrying the same message.

The visits are a build up to May 14, when the General Assembly will convene in Special Session, called by the Governor to enact proposals that will address the deficit and restructure taxes.

The Governor and Lieutenant Governor's meetings across the state are designed to hear what Hoosiers think about a solution to balancing the budget and restructuring taxes, and to encourage them to add their voices to the call for action.

O'Bannon and Kernan continue to thank lawmakers who worked for progress on the issues during the regular session. They are now asking those lawmakers to take up the negotiations where they left off and reach a consensus in time for the special session.

The state's billion dollar budget shortfall—brought on by the recession that has cost Indiana billions in anticipated revenue means that Indiana will go "into the red" in FY 2004 if action is not taken.

"I know the people of Indiana want progress and action now," O'Bannon said. "In order for that to happen, we must commit to put progress over politics."

There is also a crisis in our tax structure. For homeowners and farmers, action needs to be taken to mitigate the impact of court-ordered reassessment, which could increase homeowners' tax bills, on average, by 33%. For business, action needs to be taken to encourage economic development and the growth of jobs.

The Governor believes state leaders should not give up on resolving the budget and tax code issues this year. But he and the Lieutenant Governor agree that some lawmakers may need to know that other Hoosiers believe it, too.

"This is a chance for us to build on our schools' successes, cut homeowners' property tax bills and change our tax system so that we're able to grow new jobs," Kernan said. "It's time to go to work, to do what's right for the people of Indiana."

Tough Times Call for Leadership

Faced with a decline in revenues caused by the recession, the O'Bannon-Kernan administration made more than \$700 million in cuts to state government to help balance the budget. The Balanced Budget Plan also included spending down state reserves and increasing cigarette and gaming taxes to keep the state moving forward.

In a separate, but equally important proposal, the 21st Century Tax Plan would have cut homeowners property taxes and restructured business taxes to encourage job growth in the state. By balancing the budget AND restructuring taxes, the two plans would have allowed progress. But despite hard work, neither plan was passed in the final days of the General Assembly.

The recession has hit the nation hard, and that is evident in our state. Indiana revenue collections for the current fiscal year are \$92 million below expectations.

Lawmakers must respond to Governor O'Bannon's lead, or Indiana will continue to face an operating deficit of \$1 billion for the next three years and will have NO reserve balances to correct it.

Without the revenue needed to address that deficit, the state will have NO choice but to cut even deeper to comply with the Constitutional prohibition against borrowing money for state operations. And that means the biggest investment for our children — education — is at risk.

Counterproposal Due Monday

The Governor yesterday asked legislators to use the plan proposed March 13 by House Ways and Means Chairman Patrick Bauer and Senator Vi Simpson as the starting point for negotiations on a final plan. According to Governor O'Bannon, "starting with the March 13 plan is the logical place to start. That plan takes into account 6 months of work. We'd be wasting time to start over."

That plan essentially sought to bring in new revenue, increase certain fees and allow some cost containment measures in state government to address the deficit. It also sought to cut property taxes for homeowners and update state business taxes.

The Governor asked lawmakers opposed to that plan to submit a counterproposal next Monday, when lawmakers meet again for their pre-Special Session work.